

# TODAY'S MANAGER

Issue 3 \ 2014 • \$8

## FAMILY BUSINESSES IN SINGAPORE



Servant Leadership \ Perfect for Family Businesses

Multigenerational Workforce \ Learning How to Manage





## BUSINESS

## New Wine in Old Bottles: Eastern and Western Management in Action

By entering into joint ventures and partnerships with both suppliers and distributors, Hong Tong Bee Pte Ltd has managed to produce and sell its own Cornerstone wines worldwide despite not being located in a wine-producing country.

by Wendy Tan

Established in 1938 as a trader and wholesaler in alcohol, Hock Tong Bee Pte Ltd (HTB) now owns a seven-floor building with its own brand of wines in more than 20 countries. Since 1997, the company's turnover has steadily increased by 30 per cent every year.

In the age of the Internet and disintermediation, the position of a distributor is in jeopardy. As a business that is totally reliant on vineyards, how does a traditional wine distributor continue to survive and thrive? The short answer is to develop your own supply. How is that possible in Singapore, where there are no vineyards?

### Partnership Strategy

Understanding the alignment in values with other family businesses, HTB found the most dedicated family-owned wine business in every wine producing country. Rather than being a typical distributor, Mr Clinton Ang, a third-generation leader of HTB, structured long-term partnership agreements to lease the vineyards to produce wine under the Cornerstone brand.

"To move forward, I decided to always do joint ventures—51 per cent and 49 per cent. This is enough of a vested interest to piggyback on our experience, know-how, and brand to have a substantial return," says Mr Ang, adding that joint ventures signify commitment to long-term growth together.

The vineyard owners offer their land, grapes, and expertise to produce wine that meets the requirements of

HTB's Cornerstone brand. These wines are different as they match the Asian palate. Cornerstone then markets these wines, offering the vineyards an additional product channel and income stream. Quality is ensured through the adherence to set specifications agreed by both parties. Such partnership delivers synergistic value beyond what individual companies can achieve.

### Sales Strategy

In the past, HTB had two managers selling wines in selected countries. It was difficult for them to grow and develop the markets in those countries. The key issue they faced was securing the commitment of distributors to promote and sell Cornerstone wines versus other wines. Today, they cover over 20 countries worldwide with improved top-and bottom-lines. For HTB, creative partnerships resolved the challenges the firm was facing.

To obtain the commitment of their partners in growing the Cornerstone brand in a new market, HTB offers an exclusive contract at one dollar after the distributor achieves the agreed volume target. This means that the distributor partially owns the Cornerstone brand in their country. Instead of demanding steep volume increase from its distributors, Cornerstone's stand is to focus on positioning when its base volume targets are achieved.

"The problem in going after volume is that profits are lower. I would rather have lower volume and higher profits," adds Mr Ang. As such, the distributors are supported in building a sustainable business rather than over-stretching themselves.



Mr Ang (HTB)

The strategy of partnership is not new. It is what Mr Ang brings to the partnership that is beyond a transactional marriage of convenience to an innovative partnership. Despite being trained in the West in his graduate education, Mr Ang describes himself as an egg—white on the outside but yellow on the inside. He appears Westernised but acts with traditional Chinese or Eastern values. This may be why his perspectives have an integration of both Eastern and Western ideas.

### Building Relationships

One key factor in building a sustainable business is the ability to establish quality relationships. In the past, business owners dealt with business owners. Now, organisations are growing bigger and require professional managers to run the show. These managers, in their eagerness to please their bosses, gear towards quick results and short-term thinking. Compounding the problem, these managers come and go and the relationship ceases.

Mr Ang says: "I am the only person in this company who travels. In doing so, people can assess my sincerity and commitment. They can also put a face to Cornerstone. Until today, after nine years of structuring my partnerships, my partners tell me not to send them a manager." This inadvertently results in the business being too dependent on Mr Ang and the business relationships are mostly with him. To manage this, he recognises the need to help his employees build relationships with the partners as well.

### Long-term Sustainable Growth

Another factor in the success of HTB is the focus on long-term sustainable growth instead of big one-time deals. Transient managers often need to prove themselves within a short period of time before they can proudly move on to another organisation. It is easy to show results by throwing incentives to distributors to secure large orders or squeezing suppliers to increase margins. During the recent financial crisis, many organisations changed their distributor agencies to show growth. In the long run, these activities lead to bigger problems but these issues do not matter to the transient manager because chances are that he/she will not be there to deal with the mess.

Mr Ang says that he does not believe in aggressive year-on-year growth. Instead, he believes in growing with a solid foundation. "Cornerstone takes a long-term perspective. We have been here for over 70 years and we want to be around for 70 more," says Mr Ang.

Cornerstone takes the approach of gradual growth with a target of 10 per cent growth every year in tandem with the market. "This way, we build upon a solid foundation that supports sustainable growth, rather than over-extending ourselves and compromising our core value of quality," remarks Mr Ang.

### Internal Partnership with Staff

Unlike the conventional thinking of focussing on high performers and engaging in the war for talent, Mr Ang declares: "A soccer team of superstars will not win the game." His belief comes from a past experience when he recruited a group of "proven" talent and thought that it would solve his succession problem.

However, they came with their own beliefs and habits of doing things, which did not fit into Cornerstone's culture. It made teamwork difficult and there was a lot of abuse. While the top-line looked good, the bottom-line did not. "Now at Cornerstone, as long as you are loyal, hardworking, and ethical, you are okay. We do not need superstars. Today I have a team that has the right attitude and who can apply themselves."

Contrary to the "hire-and-fire" policies in multinational organisations, Mr Ang subscribes to his father's thinking: "It is easy to hire but hard to fire. If you do your part, we will do ours." Throughout the 2008 financial crisis, Cornerstone did not retrench anyone.

Currently, they offer employees re-assignments and assistance to help them better manage their work. In addition, instead of a big one-time bonus, Cornerstone distributes quarterly bonuses based on company performance. "Whilst this means more paperwork for the human resources department, receiving a regular but smaller bonus is more motivating. If we want to be here beyond another 70 years, then loyalty and commitment of our staff is needed," concludes Mr Ang.

By going into joint ventures and partnerships with both suppliers and distributors, Cornerstone has managed to produce and sell its own wines worldwide despite not being located in a wine producing country. ■



Ms Wendy Tan is a consultant, writer, and founding partner of Flame Centre. She seeks to integrate wholeness in our work and life so that we contribute from our purpose, insight, and wisdom.